

Merger Savings

ILLINOIS-AMERICAN WATER COMPANY

RESPONSE TO CITY OF LINCOLN

THIRD DATA REQUEST TO COMPANY

ITEM NO. COL 3

Requested of Company Representative: Ronald D. Stafford
Witness Responsible: Ronald D. Stafford
Title: Director Rates & Planning
Phone No.: 618-239-2239
Date Received: April 4, 2003
Docket No.: 02-0690

ITEM NO. COL 3: In designing rates for the ratepayers in the Lincoln District, did Illinois-American Water Company consider all merger savings as required by the order in ICC Docket No. 99-0457? If the answer is "Yes" please explain how merger savings were allocated to the Lincoln District ratepayers and the amount thereof?

RESPONSE: Yes. In designing rates in the Lincoln District, Illinois-American Water Company calculated its cost of service on a post merger basis consistent with the Commission's Finding number 6 at page 26 of the order issued in ICC Docket No. 99-0457. As such, all test year savings resulting from the merger are embedded in the calculation of cost of service. Since such savings are not shared between ratepayers and shareholders, but are passed on entirely to ratepayers, the Company was not required to maintain information to calculate post merger savings. No separate analysis was performed to assess the actual amount of test year savings, or Lincoln's allocable share of such savings, in preparing data for this rate case. The estimated amount of merger savings was provided as Company Exhibit 3.1 in ICC Docket No. 99-0457.

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Witness _____

Date 4/30/03 Reporter CB